

Senate Budget and Fiscal Review—Steve Peace, Chair

SUBCOMMITTEE NO. 4**Agenda**

Richard Polanco, Chair
Joseph Dunn
Dick Ackerman



Friday, May 17, 2002
10:00 a.m.
Room 4203

<u>Item</u>	<u>Department</u>	<u>Page</u>
CONSTITUTIONAL AND EXECUTIVE		
0505	Department of Information Technology	4
0845	Insurance	4
0950	State Treasurer	6
0954	Scholarshare Investment Board	7
STATE AND CONSUMER SERVICES AGENCY		
1111	Bureau of Barbering and Medical Technology	7
1140	State Athletic Commission	7
1730	Franchise Tax Board	8
1760	Department of General Services	9
BUSINESS, TRANSPORTATION AND HOUSING AGENCY		
2240	Housing and Community Development	12
2320	Department of Real Estate	13
TECHNOLOGY, TRADE AND COMMERCE AGENCY		
2920	Technology, Trade and Commerce Agency	14
GENERAL GOVERNMENT		
8260	Arts Council	20
8380	Department of Personnel Administration	21
8885	Commission on State Mandates	23
11.80	Set-Aside for Mandate Deficiencies	25

8940	Military Department.....	25
9100	Tax Relief.....	27
9210	Local Government Financing	27
9620	Interest on General Fund Loans	28
9800	Augmentation for Employee Compensation.....	29

CONTROL SECTIONS

11.10	Reporting of Statewide Software License Agreements.....	29
31.60	Position Reductions	30

TRAILER BILL LANGUAGE

Vacant Position.....	31
----------------------	----

PROPOSED CONSENT CALENDAR

CONSTITUTIONAL AND EXECUTIVE

0110	Senate	32
0120	Assembly	32
0130	Legislative Analyst	32
0160	Legislative Counsel Bureau	33
0500	Governor's Office	33
0650	Office of Planning and Research	33
0750	Lieutenant Governor's Office	33
0840	State Controller's Office	33
0860	Board of Equalization.....	34
0890	Secretary of State	34

STATE AND CONSUMER SERVICES AGENCY

1100	Science Center	35
1111	Department of Consumer Affairs	35
1920	State Teachers' Retirement System	36

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

2100	Department of Alcoholic Beverage Control.....	36
2780	Teale Data Center	36

GENERAL GOVERNMENT

8860	Department of Finance	37
9650	Health and Dental Benefits for Annuitants	37

CONTROL SECTIONS

3.60	PERS Benefit Contributions.....	38
3.80	Premium Offset for Employer-Paid Life Insurance	39
4.20	Contribution to Public Employees' Contingency Reserve Fund	39

TRAILER BILL LANGUAGE

General Fund Loans	40
--------------------------	----

CONSTITUTIONAL AND EXECUTIVE

0505 Department of Information Technology

Issues

1. May Revision: Reduction of \$2.8 million. The May Revision requests a reduction of \$2.8 million (GF) from operating equipment. Of this amount, \$1.5 million will be transferred to the Department of General Services to provide funding for executive information technology services.

1. May Revision: Clarification of DOIT's Responsibilities. The Administration proposes budget bill language to specify its intent to work with the Legislature to restructure state information technology governance and oversight functions.

2. Sunset of DOIT. The authority for DOIT sunsets on June 30, 2002. The LAO recommends extension of the sunset until June 30, 2004.

0845 Department of Insurance

Issues

1. May Revision: Workers' Compensation Investigation Workload. The May Revision requests an increase of \$628,000 (Insurance Fund) to fund a two-year limited-term pilot program to determine the investigation workload impact resulting from Chapter 6, Statutes of 2002 – AB 749 (Calderon). This program would investigate new workers' compensation criminal activity based on new crime definitions and determine the level of investigation necessary on a permanent basis commencing January 1, 2003.

2. May Revision: Funding for Tax Collection and Audit Program. The Board of Equalization (BOE) issues assessments and hears appeals on the insurance tax; the State Controller (SCO) makes refunds and collects delinquencies and penalties; and DOI issues permits, processes returns, and audits taxpayers.

The gross premiums tax produces \$1.7 billion for the General Fund (GF) in 2002-03. Administrative costs for BOE are \$404,000 (GF), SCO are unknown minor, and DOI are \$1.1 million (GF). For all other state taxes, the administrative costs are charged to the fund that receives the revenue.

The May Revision and the LAO recommend funding the tax collection and audit program from the Insurance Fund rather than GF. This would shift costs of \$1,767,000 from the GF to the Insurance Fund.

Does the Subcommittee wish to shift the administrative costs from the General Fund to the Insurance Fund?

3. Loan from the Insurance Fund to the General Fund. The Insurance Fund has a balance of \$22.7 million at the end of 2002-03. Revenues are slightly lower than expenditures each year, but the reserve is 12.1 percent of the fund's revenues. A loan of \$10 million could be authorized with adoption of the standard language that the loan be repaid if necessary. It is unlikely that this loan would require repayment until 2004-05.

Does the Subcommittee wish to approve the loan of \$10 million?

0950 State Treasurer

Issues

1. Additional Positions for Tobacco Securitization. The budget requests \$220,000 for two new permanent positions to implement and manage the Tobacco Securitization Bond Program. The budget proposed to borrow against future Master Tax Settlement payments by issuing a bond to generate a one-time increase in General Fund revenues of \$2.4 billion. The May Revision increased the securitization to \$4.5 billion. This proposal would require legislation.

The LAO recommends that the funding for the two new permanent positions and \$220,000 (GF) be deleted because the great majority of the workload will be handled through contracts with financial advisors, bond counsel, and underwriters.

Does the Subcommittee wish to fund these positions?

0954 Scholarshare Investment Board

Issues

1. May Revision: Distinguished Math and Science Scholars Program. Governor's Merit Scholarships provide \$1,000 scholarship savings accounts to ninth through eleventh grade students based on their Stanford - 9 standardized test scores. The budget proposed a \$10 million increase in grants over the current year grants of \$120.2 million.

The Distinguished Math and Science Scholars Program provides \$2,500 scholarships to those students who qualify to receive the \$1,000 Governor's Merit Scholarships and who achieve the highest scores on advanced placement tests in calculus and either of the biology, chemistry or physics exams.

The May Revision proposes reducing the budget by \$8 million due to lower than anticipated participation. The request also includes the reversion of \$4 million in savings in the current year.

STATE AND CONSUMER SERVICES AGENCY

1111 Bureau of Barbering and Cosmetology

Issue

1. Los Angeles Facility Relocation. The Bureau is requesting \$519,000 (\$103,000 ongoing) for increased tenant improvement and rental costs.

The Bureau should report on the status of their progress in finding a site east of the 605 Freeway.

1140 Athletic Commission

Issue

1. Mixed Martial Arts. Mixed martial arts (Submission Fighting) is a grappling sport, where techniques such as joint manipulation and chokeholds are used to force an opponent to submit. If authorized this sport needs regulation to prevent fighters from being injured or killed.

Business and Professions Code Section 18640 provides that full contact martial arts falls under the auspices of the AC. The Department of Finance contends that statutory changes are necessary to allow the AC to regulate Mixed Martial Arts.

Regulating Mixed Martial Arts would require an augmentation of \$200,000 (GF) to the AC. This proposal is estimated to generate revenues of about \$700,000 (GF) from license fees and gate tax.

2. May Revision: General Fund Reduction. This request is for an unallocated reduction of \$74,000 (GF).

1730 Franchise Tax Board

Issues:

1. May Revision: Augmentation for Increased Collection Staff. The budget augmented by \$6.2 million (GF) and 78.8 PYs for increased collection activities that will result in increased GF revenues of \$2 million (GF) from the corporate tax and \$25.5 million (GF) from PIT in the budget year. The Subcommittee approved this on May 1.

The May Revision is requesting an additional 51 positions and \$3,780,000 (GF) to increase collection activities of accounts above the 5:1 benefit/cost ratio. These new accounts were identified through the Accounts Receivable Collection System (ARCS). This proposal is estimated to increase revenues by \$11.6 million (GF) for a net increase of \$7.8 million (GF).

2. May Revision: Augmentation for High-Risk Collection Program – Waiver of Penalties and Interest. The May Revision proposes an increase in collection staff of 34 one-year limited term positions at a cost of \$3.3 million to contact high-risk delinquent taxpayers with an offer to waive penalties and interest if back taxes are paid. This is not an amnesty program, but a settlement program to maximize revenue collection on a one-year basis. This would increase revenues by \$125 million in the budget year. This is a net gain of \$121.7 million (GF).

3. May Revision: Protest Cases. This proposal is for \$260,000 (GF) and 2 staff attorneys to work multiple issue cases involving \$5 million plus in tax.

There are ten targeted cases worth \$174.1 million. FTB has an historical protest sustain rate of 50 percent that discounts potential revenue to \$87 million. An additional 50 percent of the revenues are lost at appeal at the Board of Equalization, taking the revenue down to \$43.5 million. Interest due on these cases would be \$23 million for revenues of \$67.5 million.

Only about \$3 million of this revenue will be realized with 2002-03 with the remaining \$64.5 million realized in 2003-04. The net gain in the budget year is \$2.7 million (GF).

4. May Revision: Lower Case Threshold for Integrated Non-Filer Compliance (INC). Currently the INC program pursues taxpayers that do not file returns, but have tax liabilities over \$200. This proposal would lower that threshold to \$100. These are individuals that have income subject to taxes that have not filed a tax return.

This would require 14 positions and \$799,000 in support to collect \$4 million for a net gain of \$3.2 million (GF). There would be an on-going revenue gain of \$3.5 million.

5. May Revision: Child Support Automation System. The May Revision requests budget bill language that will allow an augmentation of the FTB's 2002-03 budget to fund the costs associated with the award and implementation of a contract for the development of the California Child Support Automation System in conjunction with the Department of Child Support Services.

6. May Revision: Postage Increase. This request is for \$704,000 (GF) to cover increased postage costs.

1760 Department of General Services

Issue

1. State Building Seismic Retrofit Program. The budget proposes to appropriate funds for two projects at San Quentin State Prison: \$5,697,000 for Building 22: Modulares – working drawings and construction and \$1,183,000 for Kitchen and Dining – working drawings.

Does the Subcommittee wish to approve these funds?

2. Finance Letter to Reappropriate Capital Outlay Funding.

This Finance Letter seeks to reappropriate the following:

- a) CDC, San Quentin, Building 22: Modulares – Working drawings - \$484,000 (GF). This reappropriation is necessary due to project schedule delays. Working drawings should be completed in January 2003.
- b) Veterans' Home of California, Yountville, Recreation Building: Structural Retrofit – Construction - \$1,881,000 (Earthquake Safety and Public Buildings Rehabilitation Fund of 1990 - ESPBRF).
- c) Metropolitan State Hospital, Norwalk, Laundry Building: Structural Retrofit – Construction - \$1,610,000 (ESPBRF). This is necessary because of State Fire Marshal review delays.
- d) Sonoma Development Center, Eldridge, Porter Administration Building: Structural Retrofit – Construction - \$2,122,000 (ESPBRF).
- e) Correctional Training Facility, Soledad, Hospital Wing Q: Structural Retrofit – Construction - \$2,220,000 (ESPBRF). This Reappropriation is necessary due to project schedule delays due to workload.
- f) State Fleet Alternative Fuel Infrastructure, Sacramento, Oakland, Los Angeles – Working drawings and construction - \$1,884,000 (PVEA).

This issue was held open for the reappropriation for San Quentin.

3. May Revision: Transfer of DOIT Executive IT Funds to DGS. This proposal would transfer \$1,477,000 (GF) from DOIT to DGS.

4. May Revision: Bonderson Building Renovation. This request is to increase funding by \$23 million to reflect the addition of preliminary plans, working drawings, and construction costs based on a new scope of work. This building, located at 901 P St. in Sacramento, will be vacated in 2003-04 by the current tenants, but it is necessary to remove hazardous materials, repair the leaks, replace the ceiling systems to conform with the seismic code, and make other interior repairs or replacements. Renovation of the building is cheaper than rebuilding.

5. Pay Telephone Contracts. For the past 14 years, the General Fund has received up to \$37 million annually on the state payphone contracts. The state recently entered contracts for services for all state payphones. These contracts are for 3 years and cap the GF share at \$26 million annually. The vast majority of the GF collected from state pay phones come from collect calls made by state prison inmates and wards.

Recently, the Joint Committee on Prison Construction and Operations held a hearing where they heard testimony from families of inmates about the inequity of the state making a profit from this one select group of Californians. Inmate families testified to the substantial benefit of maintaining family ties via the telephone with inmates and wards. The suggestion was made to earmark the state revenues from these contracts into programs that would help reintegrate inmates released from prison to reduce recidivism.

Does the Subcommittee wish to appropriate the \$26 million profit from these contracts to the Department of Corrections for enhancing programs that would help reintegrate inmates and reduce the rate of recidivism?

The Following Issues are on Consent.

6. May Revision: Withdrawal of Cal-Buy Finance Letter. The Cal-Buy eProcurement System was requesting \$12.8 million from the Service Revolving Fund to expand the existing capabilities of the Cal-Buy system. This request is withdrawn.

7. May Revision: State Portal. This would reduce funding for the California Portal augmentation by \$1.2 million (GF).

8. May Revision: Asbestos Abatement and Underground Storage Tank Programs. This proposal would reduce this program by \$300,000 (GF).

9. May Revision: Augment for Lease Revenue Payment Adjustment for Teale Data Center. This proposal would augment by \$1,497,000 (Service Revolving Fund).

10. May Revision: Postal Rate Increase. This request is for \$276,000 (Service Revolving Fund) to fund postal rate increases.

BUSINESS, TRANSPORTATION, AND HOUSING AGENCY

2240 Housing and Community Development

Issues:

1. May Revision: Emergency Housing and Assistance Program. This proposal is to reduce funding for the Emergency Housing and Assistance Program from \$11.3 million to \$5.3 million for savings of \$6.0 million (GF).

2. May Revision: Farmworker Housing Grants and Loans. This proposal is to reduce grants and loans for farmworker housing from \$14 million to \$5.5 million for a savings of \$8.5 million (GF). The November Housing Bond has \$200 million for farmworker housing.

3. May Revision: Farmworker Grant and Loan Fund Transfer. This proposal transfers \$3 million from the Farmworker Housing Grant Fund to the GF. These funds are unused grant and loan funds originally provided in the 2000 budget act. The January budget provided that these funds could be used for the base farmworker program. The November Housing Bond has \$200 million for farmworker housing.

4. May Revision: Self-Help Housing Fund Transfer. This proposal is to transfer \$5.6 million from the Self-Help Housing Fund to the General Fund. These funds are unused grant and loan funds originally provided in the 2000 budget act. The January budget provided that these funds could be used for the Cal-Home program for various homeownership purposes.

5. May Revision: Interregional Planning Partnership Grant Funds Transfer. This proposal would transfer \$1,290,000 from the Housing Rehabilitation Loan Fund to the General Fund. These funds are unused grant and loan funds originally provided in the 2000 budget act.

The Following Issues are on Consent.

6. May Revision: Mobilehome Parks Inspectors. This is a request for an increase of \$120,000 (Mobilehome Park Revolving Fund) to provide adequate expenditure authority for existing inspection staff. This request is also to convert one permanent position to a three-year limited-term position to permit reexamination of the fund resources in 2005-06.

7. May Revision: Consolidated Predevelopment Loan Program. This request is to shift funding of \$110,000 from the General Fund to the Predevelopment Loan Fund for support of the Consolidated Predevelopment Loan Program.

8. May Revision: Loan from the Mobilehome Park Purchase Fund. The budget proposes to increase the loan from the Mobilehome Park Purchase Fund to the General Fund from \$6 million to \$8.1 million. This increased loan is due to higher than anticipated revenues in the fund.

2320 Department of Real Estate

Issues

1. May Revision: Increased Loan from the Real Estate Commissioner's Fund (RECF) to the General Fund. The budget proposed a loan of \$9 million and the subcommittee approved it on April 10. The May Revision requests an increase in the loan of \$1 million due to higher than estimated revenues in 2001-02.

TECHNOLOGY, TRADE, AND COMMERCE AGENCY

2920 Technology, Trade, and Commerce Agency

Issues

1. May Revision: Biomass Energy Grants. This three-year program provides grants to agricultural businesses that bring biomass waste to plant operators that convert biomass fuels to energy. The program was created in 2000 with intent language that the program was to be funded at \$10 million per year for three years. The May Revision proposes to decrease the funding from \$6 million (GF) to \$4 million.

2. May Revision: Manufacturing Technology Program (MTP). This program improves the competitiveness of California small- and medium-sized manufacturers to create and retain high-wage, high-skill jobs. The program requires a two-thirds match to federal funding. The May Revision proposes to reduce this grant program from \$5.4 million proposed in January to \$2.7 million (GF).

3. International Trade and Investment Offices (ITIO). The budget provides \$6.1 million (GF) for the following offices: The May Revision requests an unallocated reduction of \$2 million.

Foreign Trade Offices – (\$4,872,000)

- South Africa - \$414,000
- Germany - \$560,000
- China - Hong Kong - \$838,000
- Japan - \$1,052,000
- United Kingdom - \$522,000
- Mexico - \$1,155,000
- Taiwan - \$331,000

Contract Foreign Trade Offices – (\$1,196,000)

- South Korea - \$261,000
- China – Shanghai - \$270,000
- Singapore - \$200,000
- Argentina - \$265,000
- Israel - \$200,000

4. May Revision: California Space Industry Development Programs. The Subcommittee approved the budget request of \$1 million (GF) for the space technology program. This included \$675,000 in local grants, \$248,000 for a nonprofit organization to administer the grants and advocate for federal grants, and \$77,000 for state operations to provide support.

The May Revision proposes to eliminate state funding of \$1 million (GF) for grants and state support.

5. California Technology Investment Partnership (CalTIP).

CalTIP provides matching funds for federal grant money to small- and medium-sized businesses to assist in the development of marketable technologies. From 1993-94 through the current year, the state has provided \$45.6 million (GF). The state investment has been matched by \$250.6 million in federal funds and \$249.6 million in private funds.

The budget proposes \$6 million (GF) in the budget year, which is \$2 million more than provided in the current year.

6. May Revision: Reductions to Rural E-Commerce Grant Program. This program matches federal, local, and private funds for projects to increase the use of telecommunications and computer technologies among small businesses in rural areas. Grants of \$2 million were awarded in 2001-02 to 17 nonprofit corporations and public entities. The May Revision proposes to eliminate the grant for savings of \$1 million (GF).

7. May Revision: Military Base Retention and Reuse (OMBR).

The Subcommittee rejected the budget augmentation of \$100,000 (GF) at the April 10 hearing. This left base program funding of \$1.7 million for additional technical assistance to military bases to provide expertise on developing retention efforts. When the base level of funding was provided the next round of base realignment and closures (BRAC) were scheduled for 2003, but that has now been postponed to 2005.

The May Revision is requesting a reduction of \$1.5 million for support and grants for OMBR. Since the Subcommittee already reduced the budget by \$100,000, this request would be to reduce by \$1.4 million. This would leave only \$300,000 (GF).

8. May Revision: Marketing and Communications Program.

This request is to make an unallocated reduction to the Marketing and Communications Program from \$927,000 to \$300,000 for savings of \$627,000 (GF). There are 7.4 positions for this program.

9. May Revision: Office Of Export Development.

This request is to make an unallocated reduction to the Office of Export Development from \$1.6 million to \$1.2 million for savings of \$400,000 (GF).

10. May Revision: Office Of Foreign Investment.

This request is to make an unallocated reduction to the Office of Foreign Investment from \$739,000 to \$500,000 for savings of \$239,000 (GF).

11. May Revision: Business Development Program.

This request is to make an unallocated reduction to the Business Development Program from \$1,354,000 to \$816,000 for savings of \$538,000 (GF).

12. May Revision: Division of Science, Technology, and Innovation.

This request is to make an unallocated reduction to the Division of Science, Technology, and Innovation from \$1,616,000 to \$813,000 for savings of \$803,000 (GF). There are 12 positions for this program.

13. May Revision: Support for California Film Commission.

This request is to make a reduction to operating expenses and equipment contracts and general expenses of \$300,000 (GF). This would reduce funding for the Film Commission from \$3.3 million to \$3 million.

14. May Revision: Regulation Review Unit.

The May Revision requests elimination of the remaining funds of \$89,000 for the Regulation Review Unit.

15. May Revision: Economic Development Program.

This request would eliminate support of \$448,000 (GF) for high-level management of the Economic Development Division. There is no detail provided.

16. May Revision: Next Generation Internet Centers.

This

program was created in 2000 to fund administrative costs for the centers at UC San Diego and UC Berkeley and to provide grants for the development of small business-oriented software applications. State funding in the current year was reduced from \$5 million to \$2 million. Funding was intended to continue for three years through 2002-03.

The budget proposed a \$1 million (GF) reduction in state funding. This reduction could result in reduced federal funds. The Subcommittee approved this reduction.

The May Revision proposes to eliminate this program for a savings of \$1 million (GF).

17. May Revision: Office of Permit Assistance. This request would eliminate the Office of Permit Assistance for savings of \$226,000 (GF). This office provides direct assistance to development project applicants and to local governments in recommending streamlining procedures for entitlement and permitting process. It enhances permit assistance to development project applicants by directing inquiries and concerns to ombudsmen in specific state regulatory agencies.

18. May Revision: Eliminate Regional Office Program. This request would eliminate the four regional offices that TTCA maintains. They are located in San Mateo, Pasadena, Sacramento, and San Diego. This would result in savings of \$2,556,000 (GF). The request also includes trailer bill language authorizing rather than requiring regional offices.

The regional offices offer technical assistance to businesses by assisting domestic and international companies in site location, directing business inquiries to the appropriate agency divisions for assistance, and setting up state-supported training programs for businesses.

Does the Subcommittee wish to eliminate the regional offices and adopt the trailer bill language?

19. Small Business Financial Development Corporation (SBFDC) in Southeast Los Angeles. SB 1193 (Polanco), Chapter 674, Statutes of 2001, required the Secretary of TTCA to establish, when sufficient funds are available, a new SBFDC in southeast Los Angeles when sufficient funds become available. There are currently 11 SBFDCs operating in the

state that provide loan guarantees to California companies from the Small Business Expansion Fund (SBEF). Four SBFDCs had been created by statute (San Jose, Santa Ana, San Fernando Valley, and Ontario). Of those four, only San Jose has not yet been established.

It is proposed that a SBFDC be established in southeast Los Angeles by augmenting by \$1 million (SBEF).

20. May Revision: Transfer from the Small Business Expansion Fund (SBEF) to the General Fund. The Small Business Loan Guarantee Program provides guarantees on loans made by financial institutions to small businesses, which cannot otherwise obtain loans without the guarantees.

The budget proposed an \$8 million transfer from the SBEF to the GF. The Subcommittee approved this as a loan on April 29 and adopted trailer bill language guaranteeing that the funds will be available if necessary.

The May Revision is requesting an increased transfer of \$2.7 million.

Ask DOF to explain how this transfer when on April 29 they stated that the uncommitted fund balance was \$244,678.

21. May Revision: Transfer \$8 million from the Infrastructure Bank Fund to the GF. The budget transferred \$277 million from the Infrastructure Bank Fund to the GF in the current year. The May Revision is proposing to transfer an additional \$8 million in the budget year.

The Infrastructure Bank Fund has a balance of \$16.7 million,

22. May Revision: Transfer \$8.4 million from the Rural Economic Development Infrastructure Revenue Bond Fund to the GF. The May Revision is proposing to transfer a \$8.4 million to the GF. This transfer is possible because current and budget year expenditures will be \$3.8 million less than expected and thus those funds are available for transfer.

The fund receives revenues from bonds, loan repayments, interest, fees, and penalties. The fund issues loans to assist in financing projects approved by the Rural Economic Development Infrastructure Panel.

23. May Revision: Loan from the Petroleum Underground Storage Tank Financing Account to the GF. The May Revision is proposing to loan \$17 million to the GF with the standard language of repayment.

This fund primarily funds loans through the Office of Small Business for small business development corporations and small business development centers. The fund primarily receives revenue from repayments of loans and interest and late fees.

24. May Revision: Transfer \$1 million from the Petroleum Financing Collection Account (PFCA) to the GF. This proposal is to transfer \$1 million from PFCA to the GF. A small portion of this fund is used for state support.

25. May Revision: Postage Increase. This request is for \$62,000 (\$61,000 – GF) for postage increase.

GENERAL GOVERNMENT

8260 California Arts Council

Issues:

1. May Revision: Local Grants. This proposal is to reduce local assistance grants by \$14,387,000 (GF). Budget bill language is proposed to allow the Arts Council flexibility to allocate non-General Fund moneys consistent with this action upon notice to the Legislature and the Department of Finance. The reductions are as follows:

- Arts in Education - Reduce funding from \$8.1 million to \$6.1 million. For savings of \$2 million.
- Arts in Residence –Eliminate funding of 3.7 million.
- Organizational Support Grants – Reduce funding from \$10.4 million to \$5 million.
- Performing Arts Touring/Presenting Program – Eliminate funding of \$842,000.
- Special initiatives Program – Eliminate funding of \$500,000.
- Statewide Projects – Eliminate funding of \$2,598,000.

This proposal would also make appropriate adjustments to the Federal Trust Fund and not schedule that item. It also deletes provision 2, which directs funding for the Multicultural Arts Development program as part of the Organizational Support Grants.

There is no proposed reduction to Tools for Tolerance (Simon Wiesenthal Center), which is funded at \$2 million (GF).

2. May Revision: California Challenge Program. This proposal eliminates funding for this grant program of \$759,000 (GF). The California Challenge Program is designed to expand private sector support for the arts.

3. May Revision: State operations. This proposal is an unallocated reduction to state operations of \$1,125,000 (GF) due to the local grant reductions. Budget bill language is proposed to allow the Arts Council flexibility to allocate non-General Fund moneys consistent with this action upon notice to the Legislature and the Department of Finance

4. Bonita Museum Reappropriation. This legislative proposal is to extend the availability date for \$162,000 for the Bonita Museum in the 1999-2000 budget act from June 30, 2002 to June 30, 2004.

8380 Department of Personnel Administration

Issues:

1. May Revision: Increased Workload Resulting from Collective Bargaining. The budget requests \$156,000 (GF) to retain 3.0 positions to provide analytical support in the collective bargaining process. These 3 positions were part of the 10.0 limited-term (half time) positions approved for two years in 2000-01.

The May Revision is requesting an additional \$149,000 (GF) and one Labor Relations Officer to address increased workload resulting from the negotiation of MOUs.

DPA negotiated most of the contracts for bargaining units for multiple years and thus will be negotiating fewer MOUs in the budget year.

DPA should explain why they need to make the limited term positions permanent and why the augmentation in the May Revision is necessary.

2. Cost Implications of MOUs for Bargaining Unit 6.

The department should be prepared to comment.

3. May Revision: Rural Health Care Equity Program. This proposal would reduce by \$1.9 million (GF) for lower than anticipated enrollments and increase by \$68,000 (GF) for additional administrative costs. This is a net GF reduction of \$1.8 million.

This state's annual contribution is based on the number of state employees and annuitants living in counties without access to a CalPERS contracted HMO. CalPERS' approval of

health care providers resulted in a net decrease in the number of state employees and annuitants without access to a CalPERS contracted HMO beginning January 1, 2003.

4. May Revision: Excess vacancies. This proposal eliminates 13.8 positions and no savings in compliance with Control Section 31.50.

5. May Revision: Indian Gaming Council Reappropriation. This proposal is to reappropriate the unexpended balance of \$383,000 in funding necessary for the implementation and administration of the State-tribal compacts.

The Following Issues are on Consent.

6. May Revision: Administrative Fees for 401(k) Plan. The Administration approved an employer-paid 401-(k) contribution on behalf of excluded employees for a one-year period beginning July 1, 2000. It is necessary to assess monthly administrative fees on accounts, including the employer-paid accounts. This request increases funding by \$387,000 (FlexElect Benefit Fund) for this purpose.

7. May Revision: Savings Plus Program. This proposal is to reflect the growth in the number of SPP accounts because of changes in federal and state law. This request increases funding by \$417,000 (FlexElect Benefit Fund) for this purpose.

8. May Revision: Benefits Program Growth. This request is to increase reimbursements by \$358,000 to reflect additional fees collected for enrollment in various benefits programs.

8885 Commission on State Mandates

Issue

1. May Revision: Peace Officer Procedural Bill of Rights (POBOR). Chapter 465, Statutes of 1976 (AB 301, Keysor) provides a series of rights and procedural protections to peace officers that are subject to interrogation or discipline by their employer.

The budget requested \$50 million (GF) for POBOR reimbursements in 2002-03. The administration indicated that it expected the SCO to use \$25 million to pay prior-year claims and \$25 million to pay budget-year liabilities. LAO estimates that the annual state cost associated with POBOR is likely to be closer to \$75 million.

The May Revision recommends funding this mandate at \$1,000 and deferring payment to local agencies.

2. May Revision: Deferral of Payment for State Mandates.

The Governor's Budget proposes reimbursing local government \$1,000 for specified mandates and paying the full cost in future fiscal years with statutorily required 3 percent compounded interest. Local governments will still be required to perform the mandate, but their payment will be deferred. The mandates in the jurisdiction of Subcommittee 4 are:

0890 Secretary of State:

Voter Registration Procedures (Ch. 704//75)—Requires significant changes to voter registration procedures, including implementation of voter registration by mail and local voter outreach programs. Deferral of \$1.5 million (GF).

Absentee Ballots (Ch. 77/78 and 920/94)—Requires that absentee ballots be available to any registered voter who requests it. Deferral of \$8.3 million.

Permanent Absent Voters (Ch. 1422/82)—Establishes the Permanent Absentee Voter program. Specifically, the test claim legislation requires counties to establish and maintain a list of permanent absent voters who provide evidence of

physical disability; mail absent voter ballots to those individuals prior to each election; and delete any person who fails to return an executed absent voter ballot for any statewide primary or general election. Deferral of \$341,000 (GF).

2240 Housing and Community Development

Regional Housing Needs Allocation Process (Ch. 1143/80).

Councils of Government (COGs) are required to allocate the Regional Housing Needs housing targets among their jurisdictions. Cities and counties are compensated for the identification of sites in their housing element to meet the targets assigned to them by COG. Deferral of \$867,000 (GF).

9100 Tax Relief

Senior Citizens' Property Tax Deferral Program (Ch.1242/77) Requires tax collectors to submit claims to the SCO for reimbursement for property tax deferral program. Deferral of \$291,000 (GF).

Countywide Tax Rates (Ch.921/87). Requires county auditors to allocate and account for property tax revenues derived from State (BOE)-assessed properties. State-assessed property tax revenues are allocated on a countywide basis, unlike locally-assessed revenues, which are allocated on a situs basis. Deferral of \$387,000 (GF).

Allocation of Property Tax Revenue (Ch.697/92). Requires counties to implement, plan, administer, report, and account for new/changed property tax allocations for schools, including ERAF. Deferral of \$381,000 (GF).

9210 Local Government Financing.

Test Claims and Reimbursement Claims (Ch.486/75) This reimburses for costs incurred in preparing and presenting test claims, including attorney services and travel. Reimbursement is allowed only if the claim is successful. – Deferral of \$3.2 million (GF).

Open Meetings Act Notices (Ch.641/86). Requires local agencies/legislative bodies to post a single agenda containing a brief description of items to be heard, and specifying the time and location of the meeting. Deferral of \$.31 million (GF).

Rape Victim Counseling Center Notices (Ch.999/91) Costs for local law enforcement agencies to reprint and provide to rape victims with information cards, obtain consent to notify local rape counseling center, notify the center, and verify, with consent, that the counseling center has been notified. Deferral of \$160,000 (GF).

11.80 Set- Aside for Mandate Deficiencies

Issues

1. May Revision: Delete Set-Asides. This Control Section provides \$30 million (GF) for both the current and budget years for mandate deficiencies. The May Revision proposes to delete the set-asides for a savings of \$60 million (GF).

2. May Revision: Reversion of Unencumbered Balance. This request is to revert \$17.8 million (GF) in balances from prior year appropriations.

8940 Military Department

Issues

1. May Revision: Bridge Security. This request is to delete federal funding of \$6 million for bridge security.

2. May Revision: Youth Programs. This Subcommittee eliminated funding of \$2.993 million (GF) for the Turning Point Academy on April 10.

The May Revision proposes a \$900,000 (GF) reduction to youth programs. These programs were funded at \$15.1 million (\$7.9 million – GF). The Military Department contends that these reductions can be achieved without a reduction in service or number of youths served. The reduction by program are:

- California Cadet Corps –\$137,000.
- Oakland Military Institute - \$239,000.
- STARBASE Academy - \$13,000.
- Turning Point Academy - \$289,000.
- ChalleNGe Grizzly Youth Academy - \$208,000.
- Youth Programs Headquarters - \$14,000.

Does the Subcommittee wish to reduce these programs in addition to the elimination of the Turning Point Academy?

3. May Revision: General Fund Reduction. This request is for a baseline reduction of \$900,000 (GF) and 4.5 PYs. This is a reduction of about one percent of the total budget.

4. May Revision: Lancaster Armory. Add a new capital outlay item for \$750,000 (Armory Fund) for acquisition for the Lancaster Armory. This was originally scheduled to be funded through the GF.

5. Santa Ana Armory. There is interest in Santa Ana in moving the armory from its current location to a new location.

Discussions have taken place with the Military Department about the potential for moving the Armory. If the armory were moved, the armory would need to be larger and upgraded to current standards. The funding is split between the federal government and the state government. The City of Santa Ana is currently searching for a site for the new armory.

9100 Tax Relief

Issues:

1. May Revision: Williamson Act Open Space Contracts.

The Williamson Act permits cities and counties to enter contracts with landowners to limit the use of land to agricultural, scenic, and open-space purposes to be assessed at other than market value based on its limited use.

The May Revision proposes to eliminate subventions of \$39 million (GF) to local governments for property tax losses under the Open Space Act.

There is trailer bill language to eliminate the statutory requirement to provide subventions to local governments for this property tax treatment. The property tax for landowners will not be changed.

9210 Local Government Financing

Issue:

1. May Revision: High Technology Grants for Law Enforcement. The May Revision proposes reducing the amount proposed in the budget from \$35.4 million to \$18.5 million for a savings of \$16.9 million (GF). This is a continuation of the one time funding of \$35.4 provided in the current year for local law enforcement agencies to purchase high-technology equipment for crime prevention and suppression. Eligible cities, counties, and the special districts that provide law enforcement services will receive a minimum of \$30,000 and an additional per-capita amount.

The budget proposes trailer bill language allocating funds and providing that the funds shall be used to supplement, rather than supplant existing law enforcement resources. The language also provides that each recipient shall report to DOF on or before August 15, 2003 and annually thereafter.

It is unclear why the budget proposes trailer bill language when the program is proposed on a one-time basis.

2. Citizens' Option for Public Safety (COPS) and Juvenile Crime Prevention Programs. The COPS program funds local law enforcement, sheriffs' departments for jail construction and operations, and district attorneys for prosecution. Funding is provided to cities, counties, and the few special districts that provide law enforcement services. In 2000, COPS was expanded to include funding for county juvenile crime prevention programs.

The budget propose to extend funding for this program of \$232.6 million for one more year, split \$121.3 million for COPS and \$111.3 million for the county juvenile crime prevention program.

The May Revision requests that the \$111.3 million (GF) for the Juvenile Crime Prevention Program be eliminated. The proposal includes trailer bill language eliminating the juvenile crime prevention programs.

Does the Subcommittee wish to eliminate the funding for juvenile justice or change the allocation?

9620 Interest on General Fund Loans

Issue:

1. May Revision: Payment of Interest on Internal and External Loans. The costs for internal borrowing were estimated to be \$30 million in 2001-02 and \$50 million in the budget year. There are savings of \$10 million in the current year. The budget year number is unchanged.

The cost for external borrowing in the budget year is estimated to increase from \$56 million to \$310 million for a net increase of \$254 million (GF). This requires no budget action because the payment is statutory.

9800 Employee Compensation

Issues

1. May Revision: Additional Employee Compensation Costs. This request is for \$89.5 million to address additional employee compensation costs primarily for significant increases in health benefit premiums. The employer's maximum monthly health benefit contribution will be two-thirds of the premium increase of HMOs effective January 2003. In addition, there are increased costs from four Bargaining Units recently reaching agreements with the state.

CONTROL SECTIONS

11.10 Reporting of Statewide Software License Agreements

Issue:

1. May Revision: Software License Agreements. This new control section would establish a process for the review and approval of future statewide software license purchases. DOF would be required to notify the Legislature prior to a department entering into or amending a statewide software license agreement not previously approved by the Legislature. This includes an agreement whether or not the obligation will result in a net expenditure or savings. Departments would be required to prepare the appropriate business proposal for submission to DOF and DOIT for review and approval.

The proposal must contain the following elements:

- Installed base analysis.
- Future use (including assumptions for future use).
- The reason for choosing a statewide license agreement rather than any other procurement method.
- Cost/Benefit analysis.
- Cost allocation methodology.
- Funding plan.

The statewide software license agreement shall not be entered into or amended unless the approval of DOF is first obtained and written notification of that approval is provided to the

Chairperson of JLBC, and the chairperson of the budget committee of each house of the Legislature, not less than 30 days prior to the effective date of the approval.

Each notification shall:

- Explain the necessity and rationale for the proposed agreement.
- Identify the cost savings, revenue increase, or other fiscal benefit of the proposed agreement
- Identify the funding source for the proposed agreement.

A Statewide Software License Agreement is a software license contract that can be used by multiple state agencies.

These provisions do not apply if the amount of the proposed contract or amendment is less than \$1.5 million in total.

31.60 Position Reductions

Issue:

1. May Revision: Position Reductions. This new control section would eliminate 4,000 positions “to constrain the growth of the State bureaucracy and ensure that we are not budgeting funds for unnecessary positions in the future”. This is estimated to save \$20.1 million in the budget year, of which \$10 million is GF. The reductions are unallocated, but departments are directed to submit plans to DOF by July 1.

The language authorizes the Director of Finance to unallot and revert savings attributable to this section to the appropriate fund sources. Position reductions shall be reflected and identified in the 2003-04 Governor’s Budget. At the time the 2003-04 Budget is submitted, DOF shall provide a report to JLBC and the budget committee in each house identifying the reductions allocated to each department with an estimate of the amount of savings and the programmatic impact.

These reductions do not apply to UC, CSU, the Legislature, Judiciary, State Compensation insurance Fund, PERS, STRS, and the Lottery.

Should the control section require notification to JLBC prior to eliminating the positions?

TRAILER BILL LANGUAGE

Vacant Positions

Issue:

1. May Revision: Vacant Positions. Current law provides that commencing July 1, 2001, and on each July 1 thereafter, the State Controller's Office (SCO) shall abolish any state position that is vacant continuously for six consecutive monthly pay periods during the preceding fiscal year. The proposed amendments provide that any vacant position that was vacant for six consecutive monthly pay periods without regard to fiscal year would be abolished.

The proposal allows the Director of Finance to authorize the re-establishment of any positions abolished if one or more of the following conditions existed during part of all of the six consecutive monthly pay periods.

- There was a hiring freeze.
- The department has diligently attempted to fill the position, but was unable to complete all the steps necessary to fill the position within 6 months.
- The position has been designated as a management position for the purposes of collective bargaining and has been held vacant pending the appointment of the director of the department as part of the transition from one governor to the succeeding governor.
- The classification of the position is determined to be hard-to-fill.
- Late enactment of the budget causes the department to delay filling the position.

SCO shall re-establish any position for which the director of the department certifies by August 15 that one or more of the following conditions existed:

- The position provides twenty-four hour care.
- The position is necessary to satisfy any licensing requirements.
- The position is directly involved in public health, public safety, or homeland security.

- The position is being held vacant because the incumbent is eligible to exercise a mandatory right of return from a leave of absence related to Industrial Disability, Military Service, pregnancy, childbirth, or care of a newborn infant.
- The position is being held vacant because the department has granted the previous incumbent a permissive leave of absence.
- Elimination of the position will directly reduce state revenues or other income.

SCO shall submit a preliminary report of abolished positions by September 10 each year and a final report to JLBC and DOF no later than October 15.

PROPOSED CONSENT CALENDAR

CONSTITUTIONAL AND EXECUTIVE

0110 Senate

Issue:

1. **Inflation Adjustment.** Decrease by \$1,289,000.

0120 Assembly

Issue:

1. **Inflation Adjustment.** Decrease by \$1,750,000.

0130 Legislative Analyst

Issue:

1. **Adjustment.** Increase support by \$18,000 payable from the Assembly and Senate.

0160 Legislative Counsel Bureau***Issue***

1. Augmentation for Litigation. The Legislature requests \$2 million (GF) for Legislative Counsel Bureau for litigation.

0500 Governor's Office***Issue:***

1. May Revision. The May Revision requests a reduction in the Governor's Office of \$200,000 (GF).

0650 Office of Planning and Research***Issue:***

1. May Revision. This request is for a reduction to the Governor's Office on Service and Volunteerism of \$372,000 (GF).

0750 Lieutenant Governor***Issue:***

1. May Revision. The May Revision requests a reduction in the Lieutenant Governor's Office of \$50,000 (GF).

0840 State Controller***Issues***

1. May Revision: Warrant/Remittance Advice Production and Postage Rate Increase. The May Revision requests \$1,073,000 [\$472,000 (GF) and \$601,000 (reimbursements)] to fund costs associated with increased warrant and remittance advice production volume and postage rate increases to become effective June 30, 2002. The funds would defray additional printing, mailing, and postage costs associated with the increased volume.

2. May Revision: Unclaimed Property Amnesty Program Extension. The SCO requests \$1,064,000 (GF) and the continued redirection of 15.3 unfunded positions to continue the Unclaimed Property Amnesty Program, which was extended through December 31, 2002.

0860 Board of Equalization

Issues

1. May Revision: Postage Increase. This request is for an increase of \$216,000 (\$173,000 GF) to cover increased postage costs.

2. May Revision: General Fund Reduction Plan. This proposal would shift funding from four positions in administration to four positions proposed for elimination in January in the Customer and Taxpayer Services Division for no net increase in expenditure authority.

0890 Secretary of State

Issues

1. May Revision: General Fund Reduction Plan. This request is for a reduction of \$950,000 (GF) to reflect a decrease in funding for the operation of the Secretary of State's Office. No elections-related function or activities will be affected.

2. May Revision: Miscellaneous. This request is to reduce base rental and fees by \$1,000 and increase structural insurance by \$1,000 both from Business Fees Fund. This request would also augment \$1,000 (GF) for increased insurance costs.

STATE AND CONSUMER SERVICES AGENCY

1100 Science Center

Issues

1. May Revision: General Fund Reduction. The May Revision requests an unallocated reduction of \$1.1 million (GF) to the budget. It also requests an increase of \$6,000 (GF) and reductions of the same amount in reimbursement due to a decrease in interest earnings and surplus construction funds to pay base rental payments for a lease revenue funded project.

2. May Revision: Pre-Qualification of Bidders. This request is for budget bill language to allow for the pre-qualification of subcontractors that will be participating in the construction of the Science Center's Phase II. This ensures that specialized exhibits and animal displays will be constructed by companies who have demonstrated expertise in the different disciplines and complexities of museum construction. There are at least 7 subcontractors eligible to pre-qualify for these contracts.

Adopt the Language, but change the word "may" to "shall".

Adopt supplemental report language requesting the Science Center to report by January 10, 2003 on the status of raising nonstate funds for Phase II.

1111 Department of Consumer Affairs

Issues

1. May Revision: General Fund Reduction Plan. This request is for a reduction of \$41,000 (GF) for the Consumer Information Center.

1920 State Teachers' Retirement System

Issues

1. May Revision: Contribution for STRS Benefits Funding.

This notification letter states that the contribution to STRS will increase by \$18.9 million (GF) for Enhanced Benefits and \$23.9 million (GF) for the Supplemental Benefits Maintenance Account. The contribution for community colleges will increase by \$3.2 million (GF).

BUSINESS, TRANSPORTATION AND HOUSING

2100 Department of Alcoholic Beverage Control

Issues

1. May Revision: Postage Rate Increase. This request is for \$33,000 (Alcohol Beverage Control Fund) for increased postage costs.

2780 Teale Data Center

Issues

1. May Revision: Shift of Lease Payments. This requests a funding shift of \$5,078,000 from the support item of TDC for the purchase of the new data center facility to a payment from TDC to DGS for the debt service payment.

GENERAL GOVERNMENT

8860 Department of Finance

Issues

1. May Revision: Increased Reimbursements for Audits.

Propositions 12, 13, 14, and 40 establish new bond acts for which expenditures need to be audited. Proposition 42 requires audits of expenditures of gasoline sales tax. DOF is requesting \$1.4 million in additional reimbursements to meet this audit requirement.

2. May Revision: Audit Trailer Bill Language. DOF is required to audit all expenditures and provide annual audits beginning in fiscal year 2001-02. DOF is requesting trailer bill language authorizing DOF to perform audits, as deemed necessary, of the allocations or expenditures of gasoline tax money made in accordance with Article XIX B of the Constitution and issue an annual report.

9650 Health and Dental Benefits for Annuitants

Issues

1. May Revision: Revised Rates for Annuitant Health Benefits. This request is to increase the amount for health and dental benefits by \$23.0 million (GF) to a total of \$553.6 to reflect the increased monthly maximum contribution rates.

2. May Revision: Language Change. This proposal would change the monthly maximum benefit in budget bill language to reflect the health benefit rate negotiations.

CONTROL SECTIONS

3.60 PERS Benefit Contributions

This section establishes employer retirement contribution rates that are charged to appropriations of individual agencies, departments, and other governmental entities for each state employee who is a member of PERS. The section also allows the DOF to adjust any appropriation in the Budget Act to conform to the changes in those rates. The following table shows the rates for the current year and proposed 2002-03 rates established using actuarial evaluations approved by PERS. The section needs to be amended to reflect these increased rates.

Employer Contribution Rates by Member Classification		
Classification	2001-02 Rates	2002-03 Proposed
Misc., First Tier	4.166%	7.413%
Misc., Second Tier	0.036%	2.813%
State Industrial	0.350%	2.858%
State Safety	12.923%	17.055%
Highway Patrol	16.897%	23.076%
Peace Officer/Firefighter	9.638%	13.925%

Issues

1. May Revision: State Contributions Rates to PERS. The table above reflects the revised 2002-03 state employer retirement contribution rates proposed by CalPERS for retirement benefits of state employee members. These rates reflect an increase for retirement costs of \$179.8 million, of which \$101.1 million is GF. The General Fund obligation to CalPERS is paid on a quarterly basis, one quarter in arrears.

This rate increase results in a \$520,520,000 (\$260,260,000 General Fund, \$166,567,000 special funds, and \$93,693,000 other funds) increase over the CalPERS contribution funding level proposed in the 2001-02 Governor's Budget.

The increase in the retirement obligation results in a \$25.3 million increase in the fourth quarter deferral for a total deferral of \$163.6 million. The net effect is a \$179.8 million (\$101.1

million – GF) increase in the state's contribution.

Lastly, Control Section 3.60(b) authorizes State surplus asset funds to offset the State's retirement contribution to CalPERS. It is estimated that insufficient surplus assets are available to offset the California Highway Patrol's retirement payment. Therefore, pursuant to Control Section 3.60(b) and Government Code Section 20820, State surplus assets will not offset the employer's special fund payment of \$52.8 million.

3.80 Premium Offset for Employer-Paid Life Insurance

Issue:

1. May Revision: New Control Section. This control section would provide DOF with the authority to adjust departmental appropriations to reflect a one-time offset in employer-paid life insurance premiums. APA received \$1.7 million as a result of the demutualization of MetLife, the state's carrier for employee life insurance. Applying these proceeds would reduce the state employer's life insurance obligations by \$1.7 million, of which \$827,000 is from the GF.

4.20 Contribution to the Public Employees' Contingency Reserve Fund

Issue:

1. May Revision: Offset in the Administrative Fee Charged on Health Premiums. This proposal is to use the Contingency Reserve Fund (CRF) to offset a one-time reduction in the administrative fee charged to state and local employers on health premiums from 0.5 percent to 0.2 percent. The amendment to this control section would allow DOF to adjust department appropriations in order to reflect the change in the administrative fee. This would result in savings of \$2.8 million (GF), \$1.8 million (special funds) and \$1.0 million (nongovernmental cost funds).

TRAILER BILL LANGUAGE

General Fund Loans

Issue:

1. Interfund Borrowing Trailer Bill Language. DOF proposes trailer bill language authorizing loans from one state fund or account to another state fund or account as authorized in the annual budget act. The language provides that money may be loaned from one state fund or account to any other state fund or account if:

- The loan is authorized in the Budget Act.
- The terms and conditions of the loan are set forth in the loan authorization, including an interest rate.
- The loan is considered part of the balance of the fund or account.
- A fee or assessment may not be increased as a result of the loan.

The language also provides that moneys loaned may not be considered a transfer of resources for purposes of determining the legality of the use of those funds.

The language requires the Director of Finance to order the repayment of all or a portion of the loan if it is determined that:

- The fund or account from which the loan was made has a need for the money or
- The need for the moneys in the fund or account that received the loan no longer has a need for the money.

The language provides that DOF shall report to the Legislature on or before January 10 of each year on the balances of all outstanding loans.

The amended language requires DOF to report to JLBC at the time of a loan repayment.

The amended language requires DOF to report to JLBC the balance of all outstanding loans as of June 30 each year and a revised statement of outstanding loan balances in the January 10 Budget.